

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

UNITED STATES OF AMERICA	:	CRIMINAL NO. _____
v.	:	DATE FILED: _____
JAMES DELANEY	:	VIOLATIONS:
ROBERT JACOBS	:	18 U.S.C. § 371 (Conspiracy to Defraud the IRS - 1 Count)
	:	26 U.S.C. § 7212 (Attempting to Interfere with Administration of IRS Laws - 1 Count)

INDICTMENT

COUNT ONE

CONSPIRACY TO DEFRAUD THE IRS: 18 U.S.C. § 371

THE GRAND JURY CHARGES THAT:

At all times material to this Indictment:

1. J.G. Wentworth, S.S.C. was a limited partnership formed in August, 1995 and a subsidiary of J.G. Wentworth & Company, Inc., a specialty finance company.
2. J.G. Wentworth, S.S.C. was formed to purchase “structured settlements” consisting primarily of obligations to pay claims from personal injury lawsuits or government-sponsored lotteries. Thus, for example, J.G. Wentworth, S.S.C. would pay a lottery winner or successful personal injury claimant a reduced sum immediately in exchange for the right to receive a larger sum of future payments over an extended period of time.

3. J.G. Wentworth, S.S.C. was comprised of a general partner, J.G. Wentworth Structured Settlement Funding Corp., and the following limited partners: defendant JAMES DELANEY, charged elsewhere, Gary Veloric, Michael Goodman, Stone International, Alpha Nickelberry, and Internationale Nederlanden (U.S.) Capital Corp. (“ING”). Each partner maintained a “capital account,” which tracked each partner’s contributions, distributions, and losses from the partnership.

4. ING was a Dutch-based international investment bank and insurance company, which in 1995 agreed to loan J.G. Wentworth, S.S.C. money, ultimately totaling more than \$130 million, to purchase structured settlements consisting primarily of personal injury lawsuit claims and lottery winnings.

5. All money loaned by ING to J.G. Wentworth, S.S.C. was secured and collateralized exclusively by the value of the structured settlements themselves and not by any guarantee of the personal assets of the individual partners of J.G. Wentworth, S.S.C. Thus, ING was to have its loan repaid by receipt of money over time from the right to receive settlements and lottery winnings that had been purchased by J.G. Wentworth, S.S.C. As a result, all debts of J.G. Wentworth, S.S.C. were solely the debts of the partnership itself, and the limited partners had no obligation to repay or guarantee any partnership debt, including the ING loan.

6. Defendant ROBERT JACOBS, an attorney specializing in tax law with the firm of Wolf, Block, Schorr & Solis-Cohen, represented J.G. Wentworth and its related entities, including J.G. Wentworth, S.S.C. Defendant ROBERT JACOBS’ was the tax attorney for J.G. Wentworth, S.S.C. and three partners, defendant JAMES DELANEY, charged elsewhere, Gary Veloric, and Michael Goodman.

7. The law firm of defendant ROBERT JACOBS received approximately \$2.7 million in legal fees from J.G. Wentworth and its related entities between 1996 and January, 2002, and defendant ROBERT JACOBS' share of law firm's overall proceeds during that same period was approximately \$2.6 million.

8. During the years 1996 to 1998, the J.G. Wentworth, S.S.C. limited partnership incurred losses totaling approximately \$25 million, based primarily on the initial expense of purchasing for cash structured settlements that would be paid out to J.G. Wentworth, S.S.C. over an extended period of time in the future.

9. From in or about Spring, 1998 to in or about October, 1999, in the Eastern District of Pennsylvania and elsewhere, defendant

ROBERT JACOBS

knowingly and intentionally conspired and agreed with defendant JAMES DELANEY, charged elsewhere, and Gary Veloric to defraud the United States by willfully impeding, impairing, obstructing, and defeating the lawful functions of the Internal Revenue Service of the Department of the Treasury ("IRS") in the ascertainment, computation, assessment, and collection of income taxes.

MANNER AND MEANS

10. It was part of the conspiracy that defendant ROBERT JACOBS caused some J.G. Wentworth, S.S.C. partners to falsely claim they were lawfully entitled to protect or "shelter" substantial income from taxation by falsely deducting approximately \$15 million in partnership losses on their 1996, 1997, and 1998 tax returns, even though the J.G. Wentworth, S.S.C. partnership documents with ING did not support such deductions.

It was further a part of the conspiracy that:

11. By using the partnership losses to falsely shelter income from taxation, the J.G. Wentworth, S.S.C. partners failed to timely pay to the IRS approximately \$4.8 million in tax due and owing for the 1996, 1997, and 1998 tax years.

12. To conceal the use of partnership losses as a fake tax shelter, defendant ROBERT JACOBS created in 1998 fake legal documents dated “as of January, 1, 1996” and “as of August 25, 1995” to make it appear that the J.G. Wentworth, S.S.C. partners were personally liable for, or “at risk” to repay, the debts of J.G. Wentworth, S.S.C. and thereby entitled to lawfully shelter their income by deducting partnership losses on their personal tax returns.

13. Defendant ROBERT JACOBS falsely advised accountants preparing individual tax returns for some of the J. G. Wentworth, S.S.C. partners that losses from the J.G. Wentworth, S.S.C. partnership were deductible to shelter from tax substantial income received from other sources in 1996, 1997, and 1998 by the partners.

14. During an IRS audit of defendant JAMES DELANEY’s 1996 income tax return, defendants JAMES DELANEY, charged elsewhere, and ROBERT JACOBS caused J.G., a law partner of defendant ROBERT JACOBS, to provide a false document to the IRS in July, 1998 to justify defendant JAMES DELANEY’s deduction of J.G. Wentworth, S.S.C. partnership losses totaling \$2,367,295 on his 1996 tax return.

OVERT ACTS

In furtherance of the conspiracy, defendant ROBERT JACOBS and others known and unknown to the grand jury committed the following overt acts in the Eastern District of Pennsylvania and elsewhere:

1. In or about March, 1998, defendant ROBERT JACOBS caused the J.G. Wentworth, S.S.C. partners to amend the August 25, 1995 J.G. Wentworth S.S.C. partnership agreement to falsely make it appear that the J.G. Wentworth, S.S.C. partners had agreed “as of January 1, 1996” to be liable for the debts of the partnership through an obligation to restore any deficit in their partnership capital account, when defendant ROBERT JACOBS knew no such agreement had ever been reached in 1996. The 1998 amendment is referred to here as the “Nickelberry amendment” because it was originally intended by the partners only to memorialize Alpha Nickelberry’s role in the J.G. Wentworth, S.S.C. partnership, but was used by defendant ROBERT JACOBS to falsely make it appear that the J.G. Wentworth, S.S.C. partners had agreed in January, 1996 to be liable for the debts of the partnership through an obligation to restore any deficit in their partnership capital account.

2. On or about March 17, 1998, defendant ROBERT JACOBS provided defendant JAMES DELANEY, charged elsewhere, with a letter falsely stating that documents existed to justify defendant JAMES DELANEY deducting losses from J.G. Wentworth, S.S.C. on his individual tax returns, and to resolve the IRS audit of defendant JAMES DELANEY’s 1996 tax return.

3. On or about March 24, 1998, defendant ROBERT JACOBS sent a copy of the March 17, 1998 letter, which falsely justified the deductibility of partnership losses by defendant JAMES DELANEY, to accountants from Price Waterhouse Coopers (“PWC”), who had questioned the deductibility of the J.G. Wentworth, S.S.C. losses by defendant JAMES DELANEY and other J.G. Wentworth, S.S.C. partners.

4. On or about March 26, 1998, defendant ROBERT JACOBS caused his

secretary, E.L., to create the “Nickelberry amendment,” which defendant ROBERT JACOBS dated “as of January 1, 1996,” to falsely make it appear that the J.G. Wentworth, S.S.C. partners had agreed in 1996 to be liable for the debts of the J.G. Wentworth, S.S.C. partnership through an obligation to restore any deficit in their partnership capital account, when defendant ROBERT JACOBS knew no such agreement had ever been reached.

5. On or about March 26, 1998, defendant ROBERT JACOBS caused his secretary, E.L. to create a personal guarantee of defendant JAMES DELANEY, charged elsewhere, known as a “Guaranty and Surety Agreement,” which defendant ROBERT JACOBS dated “as of August 25, 1995,” to falsely make it appear that defendant JAMES DELANEY had agreed in 1995 to personally guarantee repayment of the ING loans to the extent of any deficit in his partnership capital account, when defendant ROBERT JACOBS knew no such agreement had ever been reached.

6. On or about April 13, 1998 defendant ROBERT JACOBS caused his secretary, E.L. to create a “Guaranty and Surety Agreement” for Gary Veloric and other J.G. Wentworth S.S.C. partners, which defendant ROBERT JACOBS dated “as of August 25, 1995,” to falsely make it appear that Gary Veloric and the other J.G. Wentworth S.S.C. partners had agreed in 1995 to personally guarantee repayment of the ING loans to the extent of any deficit in his partnership capital account, when defendant ROBERT JACOBS knew no such agreement had ever been reached.

7. In or about April, 1998, defendants ROBERT JACOBS, JAMES DELANEY, charged elsewhere, and Gary Veloric agreed to supply accountants from PWC preparing the 1997 tax returns for defendant JAMES DELANEY and the other J.G. Wentworth,

S.S.C. partners with false personal guarantees dated “as of August 25, 1995” of the J.G. Wentworth, S.S.C. partners to repay the ING debt.

8. In or about April, 1998, defendant ROBERT JACOBS warned Gary Veloric, one of the J.G. Wentworth, S.S.C. partners, that unless he signed a false personal guarantee dated “as of August 25, 1995” that he would jeopardize the ability of other J.G. Wentworth, S.S.C. partners to deduct millions of dollars in partnership losses on their personal tax returns.

9. In or about April, 1998, defendant ROBERT JACOBS advised Gary Veloric, one of the J.G. Wentworth, S.S.C. partners, that he would keep the false guarantees dated “as of August 25, 1995” hidden in his desk drawer and not provide them to ING.

10. On or about May 18, 1998, defendant ROBERT JACOBS provided Gary Veloric with a letter falsely advising Veloric that it was lawful and proper to sign a false guarantee dated “as of August 25, 1995” to personally repay the ING debt.

11. On or about May 28, 1998, defendant JAMES DELANEY, charged elsewhere, warned Gary Veloric and Michael Goodman, another J.G. Wentworth, S.S.C. partner, that “tomorrow is D-Day, sign or be executed” unless they provided him with signed copies of the false “Nickelberry amendment” and personal guarantees of the ING debt.

12. On or about June 24, 1998, defendant ROBERT JACOBS falsely advised J.G., his law partner handling the IRS audit of defendant JAMES DELANEY’s 1996 individual income tax return, that documents existed to support defendant JAMES DELANEY’s deduction in 1996 of approximately \$2.3 million in losses from J.G. Wentworth, S.S.C. to offset his substantial taxable income that year.

13. On or about June 30, 1998, defendant ROBERT JACOBS falsely advised Edward Stone, representing Stone International, that the “Nickelberry amendment” was being made solely to formalize in writing the status of Alpha Nickelberry as a limited partner, but intentionally failed to explain that the “Nickelberry amendment” was falsely created and dated “as of January 1, 1996” to justify to the IRS and PWC accountants the deductibility of J.G. Wentworth, S.S.C. losses by the J.G. Wentworth, S.S.C. partners.

14. In or about Spring, 1998, defendant ROBERT JACOBS unsuccessfully attempted to convince Edward Stone, representing Stone International, one of the J.G. Wentworth S.S.C. partners, that he should sign a false personal guarantee of the ING debt to help resolve defendant JAMES DELANEY’s “tax problem.”

15. On or about July 2, 1998, defendants ROBERT JACOBS and JAMES DELANEY, charged elsewhere, caused J.G., a law partner of defendant ROBERT JACOBS, to give the IRS auditor handling defendant JAMES DELANEY’s 1996 tax audit the false “Nickelberry amendment” dated “as of January 1, 1996” to support defendant ROBERT JACOBS’ claim that defendant JAMES DELANEY was lawfully entitled to deduct a \$2,367,295 million loss from J.G. Wentworth, S.S.C. on his 1996 personal tax return.

16. On or about September 2, 1998, defendant ROBERT JACOBS caused PWC accountants preparing personal tax returns for some J.G. Wentworth, S.S.C. partners to receive the false “Nickelberry amendment” and the false personal guarantee of Gary Veloric, all of which resulted in PWC allowing the J.G. Wentworth, S.S.C. partners to deduct partnership losses on their 1997 and 1998 individual tax returns.

17. On or about September 7, 1999, defendant ROBERT JACOBS falsely

advised A.K., a person known to the grand jury who had questioned the legality of the J.G. Wentworth, S.S.C. partners deducting partnership losses on their personal tax returns, that the personal guarantees and the “Nickelberry amendment,” all which were created in 1998, had been originally intended by all J.G. Wentworth, S.S.C. partners to be part of the 1995 loan agreement between ING and J.G. Wentworth, S.S.C.

18. On or about September 15, 1999, defendants ROBERT JACOBS and JAMES DELANEY, charged elsewhere, falsely advised A.K., and an attorney for A.K., that the “Nickelberry amendment” had been signed on January 1, 1996 and the personal guarantees had been signed on August 25, 1995, when defendants knew that the documents were false and had been created and signed in 1998.

All in violation of Title 18, United States Code, Section 371.

COUNT TWO

ATTEMPTING TO INTERFERE WITH ADMINISTRATION OF IRS LAWS 26 U.S.C. § 7212

THE GRAND JURY FURTHER CHARGES THAT:

At all times material to this Indictment:

1. Paragraphs 1 through 8 and 10 through 14 and the overt acts of Count One are incorporated here.

2. On or about February 19, 1998, IRS auditors examining defendant JAMES DELANEY's 1996 individual income tax return requested documents to support defendant JAMES DELANEY's deduction of \$2,367,295 million in losses from J.G. Wentworth S.S.C. to offset his substantial taxable income from other sources that year, totaling approximately \$1,618,707, thereby reducing defendant JAMES DELANEY's tax liability in 1996 from approximately \$830,569 to approximately \$15,938.

3. On or about July 2, 1998, defendant ROBERT JACOBS and JAMES DELANEY caused J.G., a law partner of defendant ROBERT JACOBS, to give the IRS auditor handling defendant JAMES DELANEY's 1996 tax audit, the false "Nickelberry amendment" dated "as of January 1, 1996" to support defendants' claim that defendant JAMES DELANEY was lawfully entitled to deduct a \$2,367,295 million loss from J.G. Wentworth S.S.C. on his 1996 personal tax return.

4. From in or about February, 1998 through in or about October, 1999, in the Eastern District of Pennsylvania, and elsewhere, defendants

**JAMES DELANEY
and
ROBERT JACOBS**

corruptly endeavored to obstruct or impede the due administration of the internal revenue laws, by causing IRS auditors examining defendant JAMES DELANEY's 1996 individual income tax return to receive false information concerning defendant JAMES DELANEY's ability to deduct losses totaling \$2,367,295 from J.G. Wentworth, S.S.C. in 1996.

All in violation of Title 26, United States Code, Section 7212.

A TRUE BILL:

GRAND JURY FOREPERSON

**PATRICK L. MEEHAN
UNITED STATES ATTORNEY**